



# The Big Picture: India-UK Trade

## Why in News?

- Recently, the UK Prime Minister has announced a new [UK-India trade](#) and investment worth 1 billion pounds, including an investment of 240 million pounds by the Serum Institute of India for its vaccine business in Britain.
- The announcement came ahead of [the India-UK virtual summit](#).

## Key Points

- **UK's Trade Deal with India:** The package contains new Indian investments of more than £533 million that is expected to create more than 6,000 jobs in vital sectors such as health and technology.
  - It also includes British exports to India worth more than 446 million pounds, while 200 million pounds of these deals will support low carbon growth.
- **Enhanced Trade Partnership:** According to the British Prime Minister's Office, the investments form part of an **Enhanced Trade Partnership (ETP)** which is expected to pave the way for a future [Free Trade Agreement \(FTA\)](#).
  - The ETP will address several trade barriers, including the lifting of restrictions to enable fruit producers across the UK to export apples, pears and quince to India for the first time.
  - They will also work towards reciprocal opening up of legal services.
- **Britain Emphasising India:** Britain has emphasised itself as global Britain and India as a global India.
  - Britain has also said that no major decisions around the world can be made by excluding India
  - It is proposing and projecting India as a global player which can bring symbolic and concrete gains for India.
- **Significance of India-UK Trade:** The two have set an ambitious target of more than doubling the bilateral trade by 2030.
  - Besides the economic significance of the trade deal, it also marks the **political intent** of the two countries.
  - From India's perspective, it has a lot to do with China, amid the worsening conditions, the chances of China exerting its dominance increase exponentially.
    - The trade agreement indicates that India has its allies all over the world.
    - India's [supply chain resilient initiatives](#) with Australia and Japan and [QUAD initiatives on vaccines](#) already exist, but in order to take the supply chains away from China's control, India must have more partnerships which makes the deal of great significance.

## Britain and India Trade

- **Britain's Economy:** About 80% of British economy is dependent on services.
  - 50% of Britain's exports are services driven exports and the bulk of them are with the European Union (EU).
  - With the reorganisation of the new trade deal with the EU, Britain is clearly looking at other potential buyers of its services.
  - It has already signed FTAs with Japan, Canada, Turkey etc.
- **Britain's Importance for India:** India has also articulated 5 areas where it is willing to fasten its progress which includes Life Sciences, Information Technology, Chemicals, Services and Food & Drinks.
  - Britain, earlier, was largely seen as just a gateway to the EU but has much more significance for India at present.
    - Britain has recently supplied 900+ oxygen cylinders to India. Besides, India wants to work together with Britain in terms of dealing with the pandemic, health care, climate change, defence cooperation etc.
- **India's Significance for Britain:** The bilateral relationships between the two in trade and the investment sector have seen an **upsurge in the past 4 years.**
  - India is a huge market with a population bigger than the UK and EU combined. Britain can see the potential of exporting its services to India.
  - India, today is the **second largest investor in Britain after the USA** and countries such as Germany and France come after India.
  - The UK has about 1.4 million people of Indian origin and 1000+ Indian companies are present in Britain providing employment to a large number of people such as Infosys.

### Issues Associated

- **China Aspect:** This trade deal is not just about the trade but also about political and strategic elements of the relationship. Britain is not regarding China as a threat but talking about engagements with it.
  - India needs to be very realistic about Britain's interests with China which are quite different from India's.
- **Fruit Exports:** Britain for the first time is going to export fruits in India which will require certification only from Britain and no accreditation from India, which is a possible issue to be raised.
- **No Recognition of India's Priorities from Britain:** The stress is being put upon the advantages that Britain will have with the signing of this deal and not upon India's advantages.
  - There is talk about British exports to India and Indian investment in Britain but not vice-versa. Indian point of view is not being given much importance.
  - Britain is pushing its own agenda on India and it would like to ensure that several both tariff and non-tariff barriers are removed and several quotas are removed in terms of allowing British exports to India.
- **Varying Interests of India and UK:** The Indian and British interests are not coinciding completely in this FTA. Britain wants greater access to the Indian market.
  - India is allowing Britain's legal services in India but there are no talks about access of Indian IT Professionals and skilled manpower to Britain.
  - The same was the cause of India's withdrawal from the [Regional Comprehensive Economic Partnership \(RCEP\)](#).

### Way Forward

- **Movement of Manpower to Britain:** India needs access to Britain, an initiative is needed that allows Indian students to stay and work in Britain after studies and also allows working of IT professionals and skilled workforce in Britain.

- A larger initiative is required that encompasses the movement of not just merchandise but also manpower.
- **Realising India's Potential:** India must make the best of the opportunity that is provided to it. India has the leverage against other countries as the second largest investor in Britain and as the world's fifth largest economy which is still growing at the fastest rate in the world.
- It should not end the same way as it did for India in the case of RCEP, as it is a bilateral partnership, India shall also push forward its own agenda on what it wants to achieve in Britain.

## Conclusion

- Trade is one of the easiest ways to connect the bridges between any two countries. India and UK's Enhanced Trade Partnerships and the FTA are the elements which will further alleviate a strong and vibrant partnership between the two.
- It is important for India to bring its own agenda and priorities into recognition and ensure that the trade deals, ongoing and upcoming, are as beneficial to both the countries.

PDF Reference URL: <https://www.drishtiias.com/printpdf/the-big-picture-india-uk-trade>

